

Message Text

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PAGE 01 MADRAS 00911 080827Z

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-03 INR-07

NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 /053 W
----- 085914

P R 071040Z JUL 75

FM AMCONSUL MADRAS

TO AMEMBASSY NEW DELHI PRIORITY

INFO SECSTATE WASHDC 2965

USDOC WASHDC

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

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NEW DELHI PLEASE PASS ROBERT MORLEY

E.O. 11652: N/A

TAGS: BEXP, IN

SUBJECT: PROMSING DEVELOPMENTS REGARDING SALE OF

BLACK CLAWSON PAPER MACHINERY TO HINDUSTAN PAPER MILLS

REF: A) MADRAS MEMCON SATED JUNE 3, 1975;

B) MADRAS 444; C) MADRAS 417

1. DURING HIS VISIT TO MADRAS, ECONOMIC DESK OFFICER MORLEY HELD DETAILED DISCUSSIONS WITH D.P. MISRA OF BLACK CLAWSON INDIA CONCERNING PROSPECTS FOR THE SALE OF BLACK CLAWSON PAPER MACHINERY TO HINDUSTAN PAPER MILLS FOR THSTHBHALA NEWSPRINT PROJECT. MORLEY HAS OFFERED TO FOLLOW UP THE PROBLEM OF EXIMBANK FINANCING WITH USDOC AND EXIMBANK ON HIS RETURN TO WASHINGTON.

2. MISRA SHOWED MORLEY AND CONGEN ECONOFF A BLACK CLAWSON INTER-OFFICE MEMO DATED JUNE 27, 1975 REPORTING THE
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PAGE 02 MADRAS 00911 080827Z

RESULTS OF A FOLLOWUP CONVERSATION WHICH CHASE MANHATTAN

VICE PRESIDENT RICHARD KLEIN HAD WITH BLACK CLAWSON IN NEW YORK AFTER RETURNING FROM MADRAS (SEE REF A). CONTRARY TO WHAT KLEIN TOLD US IN MADRAS (THAT BLACK CLAWSON, THE SELLER, WOULD HAVE TO INITIATE AN APPLICATION FOR AN EXIMBANK PRELIMINARY COMMITMENT) HE TOLD BLACK CLAWSON EXECUTIVES, ACCORDING TO THE MEMO, THAT THE REQUEST WOULD HAVE TO BE INITIATED BY THE CUSTOMER, HINDUSTAN PAPER, THROUGH ITS BANKERS IN INDIA. KLEIN REPORTEDLY SAID CHASE MANHATTAN WAS NOT ACTIVELY SEEKING NEW LOAN BUSINESS, AND COULD ONLY EXTEND CREDIT UP TO FIVE YEARS, BUT WOULD BE INTERESTED IN FURTHER NEGOTIATIONS IF EXIMBANK APPROVED A PARTICIPATORY FINANCING PACKAGE. WHETHER OR NOT BLACK CLAWSON MAY HAVE EXPERIENCE IN EXPORT SALES, THERE IS OBVIOUSLY CONSIDERABLE CONFUSION BEING CREATED OVER WHAT SHOULD BE THE SIMPLEST OF ALL STEPS, THE APPLICATION FOR A PRELIMINARY COMMITMENT FROM EXIMBANK. WE THINK IT WAS VERY USEFUL FOR MORLEY TO MEET MISRA AND ARE GRATEFUL THAT HE WILL FOLLOW THIS UP IN WASHINGTON. BACKGROUND MESSAGES HE NEEDS ARE BEING POUCHED.

3. MISRA CAME TO THE CONGEN JULY 7 WITH A MOST INTERESTING LETTER FROM AN OLD CLASSMATE WHO IS AN EXECUTIVE IN ANOTHER PAPER MILL IN NEW DELHI, AND WHO IS ALSO A PERSONAL FRIEND OF B.M. ZUTCHI, CHAIRMAN OF HINDUSTAN PAPER. ZUTCHI, ACCORDING TO MISRA6 *483,\$, TOLD HIM JULY 3 THAT THE SELECTION OF SANDWELL OF VANCOUVER AS PROJECT CONSULTANT IS 99.9 PERCENT COMPLETE. SANDWELL HAS SENT ZUTCHI THEIR CONTRACT FOR FINAL SIGNATURE. ZUTCHI STILL WANTS A FEW THINGS CLARIFIED, AND HAS CABLED SANDWELL. HE WILL FLY TO CANADA TO TAKE CARE OF THIS IF NEED BE AND SIGN THE CONTRACT THERE. AS MORLEY IS AWARE, FORMAL SELECTION OF THE CONSULTANT WAS THE ONLY THING THAT NEEDED TO BE DONE BEFORE HINDUSTAN PAPER COULD GET DOWN TO THE BUSINESS OF WEIGHING EQUIPMENT BIDS SUBMITTED BY FIRMS IN REF C.

4. MISRA'S FRIEND ALSO SAID THAT ZUTCHI TOLD HIM THE FOI HAS, APART FROM NEGOTIATING FOR A KFW LOAN, NOW ALSO SANCTIONED FREE FOREIGN EXCHANGE FOR THE IMPORTATION OF EQUIPMENT FOR THE PROJECT. HINDUSTAN PAPER, HE SAID, IS THUS LIMITED OFFICIAL USE

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PAGE 03 MADRAS 00911 080827Z

FREE TO SELECT FROM WHATEVER SOURCE THEY PREFER. EVEN IN THE CASE OF THE KFW LOAN, ONE OF THE CONDITIONS IS THAT HINDUSTAN PAPER'S CONSULTANTS MUST APPROVE THE PROJECT IN ALL RESPECTS BEFORE THE LOAN CAN BE ASSURED. IN OTHER WORDS, THE KFW LOAN DEPENDS LARGELY ON WHAT THE CONSULTANTS RECOMMEND. WITH THE AVAILABILITY OF FREE FOREIGN EXCHANGE, FINANCE IS NO LONGER A BAR TO SELECTION OF NON-GERMAN EQUIPMENT. THE DECISION WILL NOW DEPEND MORE THAN EVER

ON TECHNICAL COMPARISONS, PRICE, AND DELIVERY. MISRA'S FRIEND REPORTED ALSO THAT HE HAD HEARD BLACK CLAWSON'S OFFER WAS STILL THE LOWEST, AND HE HAD HEARD NO UNFAVORABLE COMMENTS FROM ANY SIGNIFICANT QUARTER ABOUT BLACK CLAWSON EQUIPMENT. MISRA'S FRIEND CONCLUDED BY ADVISING HIM QTE THE CRUX OF THE SITUATION AS IT IS AT PRESENT IS THAT IF YOU HAVE A STRONG PIPE-LINE INTO THE SANDWELL SETUP, YOU COULD GET THINGS FIXED AND THEREFY BOUNCE BACK INTO AN ARENA FROM WHICH YOUR RIVALS FEEL YOU HAVE RETIRED, HURT, UNQTE. HE SAID ZUTCHI INDICATED THAT AT THIS STAGE THE GAME WAS OPEN TO ANYONE WHO HAD THE POTENTIAL AND STAMINA TO WIN, THAT THE KEY WAS SANDWELL.

5. AS MISRA INFORMED MORLEY, SANDWELL WAS NOT BLACK CLAWSON'S FIRST CHOICE (SEE REF C), BUT THEY CAN STILL WORK WITH THAT FIRM. HE SAID HE WILL COMMUNICATE THIS NEWS TO BLACK CLAWSON AND ASK THEM TO GET MOVING. MISRA SAID HE THINKS BLACK CLAWSON WOULD LIKE TO MAKE THE SALE BECAUSE THEIR ORDER BOOKS ARE NOT AS FULL AS THEY WERE A YEAR AGO. HOWEVER, AS MORLEY NOTED, THERE SEEMS TO BE SO MUCH CONFUSION AT BLACK CLAWSON THAT AN OBSERVER COULD BE FORGIVEN FOR CONCLUDING SOMEONE WAS DRAGGING HIS FEET ON THIS. A HELPING HAND FROM STATE AND COMMERCE WILL STILL BE NEEDED, AND IT WOULD BE A GOOD IDEA TO OBTAIN AN EXIMBANK READING EVEN IF THERE IS THE PROSPECT OF FREE FOREIGN EXCHANGE. WE HAVE NO WAY OF CONFIRMING INDEPENDENTLY WHETHER SUCH FOREIGN EXCHANGE ACTUALLY WILL BE AVAILABLE.

6. MISRA ASKED THAT MORLEY AND COMMERCE, IN DISCUSSING THIS SALE WITH BLACK CLAWSON, NOT MENTION THAT BLACK CLAWSON'S BID MAY BE AS MUCH AS \$2 MILLION BELOW THE ONE SUBMITTED BY VOITH OF GERMANY (SEE REF C). MISRA SAID FIRST OF ALL IT LIMITED OFFICIAL USE

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PAGE 04 MADRAS 00911 080827Z

WOULD ONLY ENCOURAGE BLACK CLAWSON TO JACK UP THEIR BID, WHICH MAY LOSE THE SALE. MOREOVER, JUST AS HE HAS HIS SOURCES OF INFORMATION, VOITH AND OTHERS HAVE THEIRS, AND THEY MAY BE PREPARED TO REDUCE THEIR BIDS TO CAPTURE THE SALE IF IT LOOKS LIKE IT IS GOING TO BLACK CLAWSON. THE DIFFERENCE CAN IN FACT NO LONGER BE ANYWHERE NEAR SO GREAT AS IT ONCE WAS. EAVES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 07 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MADRAS00911
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750234-1181
From: MADRAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750781/aaaacume.tel
Line Count: 163
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 MADRAS MEMCON SATED JUNE 3, 75 1975
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 06 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 MAY 2003 by lzenbel0>; APPROVED <29 SEP 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROMSING DEVELOPMENTS REGARDING SALE OF BLACK CLAWSON PAPER MACHINERY TO HINDUSTAN PAPER MILLS
TAGS: BEXP, IN
To: NEW DELHI
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006